

Policy Issue	Current (w/o use of Schools & Libraries reserve)	Current + Collect & Remit	CoSUS Connection Proposal	SBC/BellSouth Connection Proposal
Sustainability				
<ul style="list-style-type: none"> Bypass 	Can be bypassed by substitutes (e.g. wireless, VoIP) with lower (or zero) assessment rates.	Can be bypassed by substitutes (e.g. wireless, VoIP) with lower (or zero) assessment rates.	Cannot be bypassed, unless VoIP over broadband connections becomes prevalent <i>and</i> the FCC ultimately does not include voice over broadband (DSL, cable) within contribution.	Although details have not been provided, probably can be implemented to avoid bypass.
<ul style="list-style-type: none"> Stability with Bundling 	Bundles can reduce contributions by assigning revenues to non-contributory parts of bundle (e.g. intrastate and non-regulated information services or CPE).	Bundles can reduce contributions by assigning revenues to non-contributory parts of bundle (e.g. intrastate and non-regulated information services or CPE).	Bundling has no impact on contribution.	Bundles that include calling card or other services subject to a revenue-based assessment can reduce contribution by assigning revenues to portions of the bundle that do not contribute based on revenues.
Competitive Neutrality	Not neutral due to wireless safe harbor, international exemption, shifts of revenue to other components of the bundle, and lags between reporting period and USAC billing.	Not neutral due to wireless safe harbor, international exemption, and shifts of revenue to other components of the bundle.	All providers of competing services pay the same contribution (e.g. wireline and wireless connection; wireline and wireless long distance). Relative connection rates need to be calculated to maintain neutrality.	Not neutral because long distance and Internet access providers that cannot bundle their services with the connection will face much higher transaction costs to acquire and manage information needed to calculate and recover assessments (forcing them either to have higher USF recovery fees or to recover higher transaction costs in other charges). Relative connection rates need to be calculated to maintain neutrality.

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Total USF Recovery Fees – Avg. Household (projected 2Q 2003)	\$2.42/mo.	\$2.56/mo.	\$1.54-1.69/mo. (depending on whether “mark-ups” are permitted).	\$2.60/mo. (assumes \$0.65/QSC, could be more depending upon whether “mark-ups” are permitted and magnitude of costs of IXC and ISPs obtaining information).
• FCC Contribution Factor (w/o offset for Schools and Libraries unexpended funds)	9.53% (assuming continued 3% per quarter decline in current base).	10.13% (assuming continued 3% per quarter decline in current base).	Not applicable.	Not applicable.
• LEC per connection	\$0.73/mo.	\$0.76/mo.	\$1.00-1.10/mo. (depending on whether “mark-ups” are permitted).	\$0.65/mo. (unclear whether this estimate includes “mark-ups”).
• Interstate IXC (no connection) average per household	\$1.32/mo.	\$1.41/mo.	None.	>\$0.65/mo. (magnitude depends on costs of obtaining information, and whether “mark-ups” are permitted).
• Wireless (non-paging CMRS) per connection	\$0.68/mo.	\$0.72/mo.	\$1.00-1.10/mo. (depending on whether “mark-ups” are permitted).	\$1.30/mo. (2 QSCs) \$1.95/mo. if GPRS or 1XRTT is included (3 QSCs).

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• ISP	Dial-up -- \$0. Cable Modem -- \$0. DSL -- \$0. (Telecom. carrier contribution percentage of telecom. services revenue from sales to ISP.)	Dial-up -- \$0. Cable Modem -- \$0. DSL -- \$0. (Telecom. carrier contribution percentage of telecom. services revenue from sales to ISP.)	Dial-up – None Cable Modem -- \$0 (pending <i>Broadband FNPRM</i>) DSL -- \$0 (pending <i>Broadband FNPRM</i>).	Dial-up -- >\$0.65/month (magnitude depends on costs of obtaining information, and whether “mark-ups” are permitted). Cable modem/DSL – \$1.30-2.60/mo. (2-4 QSCs, depending on upstream speeds; also proposal lacks specifics necessary to determine the differences between “asymmetrical” and other capacity tiers.)
Low Income User	LEC – Lifeline exempt. IXC – % Surcharge, unless IXC can identify Lifeline user and has a program.	LEC – Lifeline exempt. IXC – % Surcharge, unless IXC can identify Lifeline user and has a program.	Lifeline exempt.	Lifeline exempt, but IXC and ISPs lack information to identify Lifeline users unless information is provided by LEC.
• Average Per Household Total USF Recovery Fees – Non-Lifeline, <\$15,000 Annual Household Income	\$2.13/mo.	\$2.25/mo.	\$1.15-1.27/mo. (depending on whether “mark-ups” are permitted).	\$1.78/mo. (assumes \$0.65/QSC, could be more depending upon whether “mark-ups” are permitted and magnitude of costs of IXC and ISPs obtaining information).

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<ul style="list-style-type: none"> Top 1% LD User Total USF Recovery Fees – Non-Lifeline, <\$15,000 Annual Household Income 	\$13.95/mo.	\$14.81/mo.	\$1.15-1.27/mo. (depending on whether “mark-ups” are permitted).	\$1.78/mo. (assumes \$0.65/QSC, could be more depending upon whether “mark-ups” are permitted and magnitude of costs of IXC and ISPs obtaining information).
Impact of Additional USF Funding	Increase to contribution factor increases all carriers' recovery fees, including LEC per line fees.	Increase in FCC contribution factor increases all carriers' recovery fees, including LEC per line fees.	Increases all per connection assessment rates in uniform proportion.	Increases all per connection assessment rates in uniform proportion.
Transaction Costs	<ul style="list-style-type: none"> All contributors must report revenues, pay assessments, and bill and collect recovery fees. All new service offerings must be evaluated to determine whether the revenues must be reported as interstate telecommunications. 	<ul style="list-style-type: none"> All contributors must report revenues, pay assessments, and bill and collect recovery fees. All new service offerings must be evaluated to determine whether the revenues must be reported as interstate telecommunications. 	<ul style="list-style-type: none"> For each connection, only one provider (the connection provider with the end user customer relationship) must report connections, pay assessments, and bill and collect recovery fees. Information necessary to report connections can be determined from the connection provider's customer relationship. 	<ul style="list-style-type: none"> All providers of network connections, long distance service, and internet access must report connections, pay assessments and bill and collect recovery fees. Information necessary to report connections will not be known to IXC and ISPs. These contributors must obtain information from connection provider (usually for a fee). LECs must build systems to transfer connection information to IXC/ISPs. A single residential connection may have 3 or more billed "connection" assessments.

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Can be Implemented Prior to Completion of <i>Broadband Internet Access Framework NPRM</i>	Not applicable.	Yes.	Yes. Consistent with any outcome of <i>Broadband Internet Access FNPRM</i> .	No. Requires inclusion of broadband Internet access connections.
Adaptability to New Services	All services must distinguish between “telecommunications” and “information”/other services, and between “interstate” and “intrastate.”	All services must distinguish between “telecommunications” and “information”/other services, and between “interstate” and “intrastate.”	Only need to determine whether the connection is to a public network capable of providing interstate service (except for telecommunications self-provisioned by an ISP, pending the outcome of the <i>Broadband Internet Access NPRM</i>).	Difficulty in determining the number of “Transport QSCs” that must be assessed (e.g. is a mobile phone with GPRS 3 connections?).
Can Be Implemented by April 1, 2003	Yes.	Yes.	Yes. 2 stage transition allows for immediate implementation.	No. Will need additional data, especially for private lines, that carriers do not currently track or report, and systems for sharing information between connection providers and IXC/ISPs must be developed.